

## Transition Rules

## SVUL Protector July 2020

On Monday July 20, 2020, the revised SVUL Protector will be introduced, subject to state approvals.

The following rules apply to any request for New Business, Term Conversion, or OPAI (Option To Purchase Additional Insurance) Conversion.

### TRANSITION RULES

- **July 20, 2020** (Ready to Sell Date): New Rates for the repriced product are in effect. All applications signed and dated<sup>1</sup> on or after July 20, 2020 will receive New Rates (unless Old Rates are requested and permitted).
- **August 16, 2020** (Transition Period End Date): Last day that an application can be signed with a request for Old Rates.
  - If Old Rates are desired for an application dated during the 28-day Transition Period, a written request, along with the appropriate illustration version, must be submitted on or after the state introduction date.
  - Applications dated August 17<sup>th</sup> and later will receive the New Rates only.
- States that approve the revised product after July 20<sup>th</sup> will have their “Ready to Sell Date”, adjusted.

### REQUESTS FOR NEW RATES

Requests for changes to the New Rates will be permitted consistent with the following current practice for these situations:

- Any pending case or issued policy that is not yet delivered with an application date prior to the state introduction date can be changed to New Rates, as long as the request for change is made on or after the state introduction date.
  - Note: Any prepayment received prior to the state introduction date for a pending or issued application with a request for New Rates will be applied as of the later of the contract date, the payment receipt date, or the 7/20/2020 product offering date. In no case will the money be applied to a policy with New Rates with a date preceding the product offering date of 7/20/2020.
- An existing policy that has been delivered and is in force and is still within its 90-day New Business Change Period can be changed to New Rates and keep the original policy number and policy date. The written request must be submitted on or after the state introduction date with a matching illustration and confirmation of billed premium with the New Rates. Existing policies that are outside the 90-day New Business Change Period cannot be changed to the New Rates.
  - The 90-day New Business Change Period is defined as the 90-day period beginning on the later of the policy date or the original issue date. For policies issued as a Term Conversion, it is defined as the 90-day period beginning on the policy date. The ability to request certain types of changes during the 90-day New Business Change Period is an administrative practice supported for permanent product policies and is not specific to this repricing.

NOT FOR CONSUMER USE.

© 2020 Prudential Financial, Inc. and its related entities.

NR-9610503 Ed. 07/2020 Exp. 07/01/2021



**Prudential**  
Bring Your Challenges®

# OVERVIEW

## Survivorship BenefitAccess Rider

Financial wellness throughout retirement is important to clients. In addition to death benefit protection, wealth transfer, and income, many are also concerned about offsetting expenses in the case of chronic or terminal illness.

When couples have a need for life insurance coverage, talk to them about their protection needs and future retirement, the conversation should include the potential impact to savings that may be brought on by:

- Longevity
- Chronic and terminal illness
- Widowhood

### SURVIVORSHIP LIFE INSURANCE AS A SOLUTION

Talk to clients about how a survivorship life insurance policy (a policy that covers two lives) with the potential for cash value growth can:

- Provide financial protection for loved ones after both insureds have died.
- Potentially allow for tax-advantaged loans and withdrawals to serve as supplemental income if cash value has accumulated.<sup>1</sup>
- Potentially accelerate the death benefit while one or both insureds are still living through an optional rider, available for an additional fee.

### WHAT SBAR OFFERS

The Survivorship BenefitAccess Rider (SBAR) is an optional rider available on select survivorship life insurance policies for an additional cost. It can accelerate the death benefit in the event of a chronic or terminal illness, when eligibility criteria are met.

- **Pays for the Condition, Not the Care.** Clients can use the money in any way they would like.
- **Double-Duty Dollars.** 100% of the policy's death benefit will be paid out, either as a living benefit or as a death benefit.<sup>2</sup>
- **Lifetime Benefit Can Grow.**<sup>3</sup> The total amount available for acceleration can grow as the policy's death benefit grows.
- **Competitive Cost.** It's a cost-effective way for clients to have added flexibility for a chronic or terminal illness.
- **Choice of Monthly Payout Options.** Clients can choose the maximum, either 2% or 4%, of the death benefit at time of claim. The 4% option is available for policies with face amounts up to \$500,000.
- **Potential for Easier Access of Benefits.** It's possible for clients to begin receiving benefit payments as soon as the claim is approved, without having to satisfy a waiting or elimination period. Terms and conditions apply.



### CHRONIC ILLNESS & WIDOWHOOD RISKS

Clients may not realize just how at risk they are of becoming chronically or terminally ill and how such circumstances could cause financial challenges. Life insurance with SBAR can be a needed resource for the one left to carry on alone.

75% of all women will be widowed for five or more years and 50% will be widowed for 10 years or more.<sup>4</sup>

Over 75% of all couples (including same-sex couples) may one day find that one or both will need 90 or more days of care due to a chronic or terminal illness.<sup>5</sup>

Estimates are that out-of-pocket medical expenses for an average 65-year-old couple retiring in 2018 will be \$280,000, and even more if chronic illness care is needed.<sup>6</sup>

NOT FOR CONSUMER USE.

© 2020 Prudential Financial, Inc. and its related entities.  
1014609-00003-00 Ed. 06/2020 Exp. 06/01/2021



Prudential

## Q&amp;A

Get ready for your SBAR client conversations:

Question	Answer
<b>What are the criteria for SBAR eligibility?</b>	<p>Eligibility (applicable to both proposed insured individuals):</p> <ul style="list-style-type: none"> <li>• U.S. residents ages 20 to 80.</li> <li>• Minimum basic insurance amount of \$200,000.</li> <li>• Maximum basic insurance amount of \$5,000,000 (applies on an aggregate basis per insured individual, at the time of application).</li> <li>• Basic insurance underwriting rating of either: <ul style="list-style-type: none"> <li>– Table D or better for each insured (uninsurable class not allowed).</li> <li>– With a total flat extra rating for each insured not exceeding \$25 per \$1,000.</li> </ul> </li> <li>• Supplemental underwriting must be completed by both applicants. It is possible for applicants to be approved for basic insurance coverage but ineligible for SBAR coverage due to certain medical or occupational history.</li> </ul>
<b>What qualifies a client for SBAR benefits?</b>	<p><b>Terminal Illness claim.</b> Surviving insured (or both insureds simultaneously) is/are certified by a licensed physician as terminally ill (medical condition reasonably expected to result in death within 6 months or less).</p> <p><b>Chronic Illness claim.</b> Both insureds or the surviving insured is/are certified by a licensed health care practitioner as chronically ill. A chronic illness claim is also allowed if one insured is chronically ill and one insured is terminally ill.</p> <p><b>The rider will not pay out if both insureds are alive and only one is chronically or terminally ill.</b></p>
<b>Why doesn't SBAR pay benefits while both insureds are still living and only one has a chronic or terminal illness?</b>	<p>SBAR is an accelerated death benefit rider on a life insurance policy and is not long-term care insurance. As a life insurance benefit filed under section 101(g) of the Internal Revenue Code, accelerated benefits can receive the same treatment as death benefits (they can both receive income tax-free treatment).</p> <p>Similar to the death benefit on a last survivor policy, which is only payable when the last survivor passes, the acceleration of the death benefit is only payable when the last survivor meets eligibility criteria. Benefits can also be payable when both insureds meet eligibility criteria. Keep in mind that accelerating benefits under SBAR will decrease the death benefit dollar-for-dollar.</p> <p>Please note that long-term care insurance (LTC) is considered health and accident insurance, is not subject to the same guidelines as life insurance, and can pay benefits when either insured meets eligibility criteria. SBAR is not LTC.</p>
<b>What if there's a need for money while both insureds are still living?</b>	<p>Prudential offers survivorship life insurance products that feature cash value accumulation potential. Cash value can be accessed on a tax-favorable basis through loans and withdrawals at any time, including when there's a need for money should one of the insureds become ill while both insureds are living. Of course, unpaid loans and withdrawals reduce cash values and death benefits; may reduce the duration of the guarantee against lapse, which may lapse the policy; and may have tax consequences.</p>
<b>Is there a waiting or elimination period?</b>	<p>A 90-day elimination period may apply for chronic illness claims (not for terminal illness claims). The elimination period begins when we receive certification that the insured(s) is (are) chronically ill. When applicable, the elimination period is waived if the insured(s) is (are) not expected to recover from the chronic illness.</p>
<b>Are there restrictions on how the benefits are used?</b>	<p>No. Benefit proceeds can be used for any purpose. Clients don't need to submit bills, receipts, or any other evidence of what the money was used for. Eligibility is based on certification of the insured's chronic or terminal illness condition, and other terms of the rider being met.</p>

*Continued on the next page.*

Question	Answer
<b>What's the maximum the monthly benefit can be?</b>	<p>The maximum monthly benefit percentage is elected at the time of issue:</p> <ul style="list-style-type: none"> <li>For policies with an initial face amount of \$500,000 or less, the client has the option to choose a 2% or 4% maximum monthly benefit.</li> <li>For policies with an initial face amount between \$500,000 and \$5,000,000, only the 2% maximum monthly benefit option is available.</li> </ul>
<b>For federal estate tax purposes, when a trust owns a life insurance policy with SBAR, will the death benefit be considered as being outside the insured's estate?</b>	<p>In a typical irrevocable life insurance trust (ILIT) created for estate liquidity purposes, the insured(s) do not otherwise have any other right in, or to, the ILIT and its assets. When a client creates an ILIT with the guidance of his or her legal advisors, the client gifts money to the trust. The ILIT, in turn, buys and pays premiums on a life insurance policy on the client's life. At the insured's death, the death benefit is paid to the ILIT, which then distributes the proceeds to the trust's beneficiary(ies). The death benefit is not included in the client's gross estate, so is typically not subject to estate taxes. What's more, the death benefit can be used to help offset any estate taxes or other liabilities.</p> <p>Usually, the insured(s) is/are only making gifts to the ILIT. However, if there is an implied or expressed understanding among the trustees, beneficiaries, and grantors that the insured(s) will have access to the benefits under SBAR in the event of chronic or terminal illness, then inclusion of the insurance in the estate of the insured(s) may occur. Clients must consult with their own tax and/or legal counsel.</p>

**Life insurance with SBAR is an attractive option for clients concerned about death benefit protection and potentially having a chronic or terminal illness in their later years, and especially in widowhood. Talk to them about SBAR's value and how it can help to preserve financial wellness in retirement.**

## **YOUR PRUDENTIAL LIFE WHOLESALER CAN HELP YOU OPEN ACTIONABLE CLIENT CONVERSATIONS ABOUT SURVIVORSHIP LIFE INSURANCE WITH SBAR.**

### **GIVE YOUR WHOLESALER A CALL TO EXPLORE WAYS TO IMPLEMENT THIS SURVIVORSHIP LIFE INSURANCE STRATEGY IN YOUR PRACTICE.**

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any clients or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing a client's retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional.

Survivorship Life insurance is issued by Pruco Life Insurance Company (except in NY) and Pruco Life Insurance Company of New Jersey (in NY). Both are Prudential Financial companies located in Newark, NJ.

Variable universal life policies are offered through Pruco Securities, LLC (member SIPC).

<sup>1</sup> Unpaid loans and withdrawals reduce cash values and death benefits; may reduce the duration of the guarantee against lapse, which may lapse the policy; and may have tax consequences.

<sup>2</sup> For terminal illness claims, the accelerated death benefit payment is reduced by a discount factor and a one-time processing fee applies. Accelerating the death benefit will reduce, and may even eliminate, the death benefit.

<sup>3</sup> The maximum monthly amount is subject to IRS limits. Availability of death benefit options varies by product type.

<sup>4</sup> 2012 Individual Annuity Mortality (2012 IAM) Basic Table. Society of Actuaries.

<sup>5</sup> Favreault M, et al. Long-term Services and Supports for Older Americans: Risks and Financing. ASPE Issue Brief. Department of Health and Human Services. July 2015. Table 1, p.4.

<sup>6</sup> How to Plan for Rising Health Care Costs. Fidelity Investments. April 18, 2018.

The Survivorship BenefitAccess Rider is an optional rider that accelerates the life insurance death benefit when the surviving insured is chronically or terminally ill as defined in the rider or both insureds are chronically or terminally ill as defined in the rider. It is not Long-Term Care (LTC) insurance. Benefits received under the rider will reduce and may deplete the death benefit. Electing the BenefitAccess Rider results in an additional charge and underwriting requirements. Some benefit payments may be subject to a fee. Other terms and conditions apply and can vary by state. If clients' survivorship policy is owned by a trust or non-living entity, they should consult a tax advisor prior to electing the Survivorship BenefitAccess Rider. Clients should always consult their tax and legal advisors when considering the purchase of a life insurance policy and/or accelerated death benefit rider.

Product options may not be available on all survivorship products or in all states.

#### **NOT FOR CONSUMER USE.**

© 2020 Prudential Financial, Inc. and its related entities.

1014609-00003-00 Ed. 06/2020 Exp. 06/01/2021

- Note: When an inforce policy within the 90-day New Business Change Period is changed to New Rates, if premium payments were applied prior to 7/20/2020, then when the case is re-issued the premium payment(s) previously applied will be reapplied as of the 7/20/2020 product offering date.
  - If the existing policy is still within its free look period as of the home office receipt date of the request for New Rates, the amount carried forward to the newly issued policy will be the greater of the premium received or premium plus any gain from the original premium receipt date through 7/20/2020
  - If outside the free look period as of the home office receipt date of the request for New Rates, we'll credit the value of the contract fund plus previously deducted loads and charges. Any gain or loss in contract fund value from the original premium receipt dates through 7/20/2020 will be carried forward to the newly issued policy.
- For a request for a change to New Rates only, please submit a completed **COMB 84800S** form along with a signed revised Illustration and confirmation of billed premium. The signed paperwork must be received within the 90-day change period
- For a request for a change to New Rates along with a change in coverage (for example an increase in face amount or addition of riders/benefits), please contact us for assistance with the required paperwork. The signed paperwork must be received within the 90-day change period
- For PruAdvisors, contact us through the "Change Service Team" mailbox (or at [Change.Service.Team@prudential.com](mailto:Change.Service.Team@prudential.com)) or 1-800-778-5611, prompt 2
- For all others (Third Party), contact us at [Prutermconversions@prudential.com](mailto:Prutermconversions@prudential.com) or 1-904-313-3550
- A change to New Rates for an inforce policy that is within the 90-day New Business Change Period will trigger a recalculation of commissions. If different, the original amount will be recaptured and a new amount paid.

## BACKDATING

Normal backdating rules apply, meaning that the new policy date can be backdated up to six months prior to the application date (three months in Ohio). A policy with New Rates can be dated prior to the state introduction date as long as the application meets the requirements in the TRANSITION RULES above.

Please note: If the date of birth is more than 6 months prior to the state introduction date, you cannot backdate the policy to save age with a request for the new product version.

## REQUESTS FOR OLD RATES DURING THE TRANSITION PERIOD:

### APPLICATIONS WITHOUT OWNERSHIP ARRANGEMENTS

Formal applications without ownership arrangements (Preliminary applications, trial application and where a Trust is TBD) must be replaced by a final formal application by the end of the 28-day transition period based on state approval to be eligible for the Old Rates.

### INFORMAL/INQUIRY APPLICATIONS

Informal/Inquiry applications will not be eligible for Old Rates unless replaced by a live application by the end of the 28-day transition period based on state approval.

<sup>1</sup>Definition of "application date":

- Pru Advisors Prepaid eLife - Date on the form of payment and the Authorization, Acknowledgement and Limited Insurance Agreement form

NOT FOR CONSUMER USE.

© 2020 Prudential Financial, Inc. and its related entities.

- Pru Advisors COD eLife - Date the Authorization, Acknowledgement, and Limited Insurance Agreement form and Variable Contract Acknowledgement form (if applicable) were signed by the client
- Pru Advisors or Third Party Full Application case - Date the Part 1 of application (ORD 96200) was signed
- Third Party Prepaid Xpress QuickForm case - Date on the form of payment, the Authorization to Release Information form, and the Limited Insurance Agreement form
- Third Party COD Xpress QuickForm case - Date the Authorization to Release Information form and Variable Contract Acknowledgement form (if applicable) were signed by the client

**NOT FOR CONSUMER USE.**

**© 2020 Prudential Financial, Inc. and its related entities.**